

A Publication of Rural Development's Multi-Family Housing Program

Michael W. Aube, State Director

Emily J. Cannon, Public Affairs Specialist

3560 Regulation and Handbooks

By now you all know that the 3560 regulation and associated handbooks went into effect on February 24, 2005. The items below are intended to help you transition from the old to the new regulations.

1. Maine Instructions and Administrative Notices:

All current state instructions and administrative notices expired as of February 24, 2005.

2. RD Forms Renumbered: Rural Development has renumbered all forms to coincide with the 3560 handbooks. We will accept both the old and new versions of forms relating to the MFH program until May 1, 2005. After May 1, 2005, all forms must conform to the new RD 3560 series of forms.

3. RD Forms Exempted: The following forms will be exempted from the May 1, 2005, requirements:

- Form RD 3560-7, "Multiple Family Housing Budget/Utility Allowance"
- Form RD 3560-8, "Tenant Certification"
- Form RD 3560-10, "Borrower's Balance Sheet"
- Form RD 3560-29, "Notice of Payment Due Report"

These specific forms require software vendors to update their software, and they will be given a six-month grace period, which will begin when the forms' specifications have been provided to the software vendors. This should take place in the near future.

4. Handbook 2, Chapter 3 – Property Management

Section 2: (7 CFR 3560.102) Approving, Removing, and Reviewing the Management Agent:

Although the required items for project management plans have not significantly changed, a new requirement --"Management Certification" (Form RD 3560-13)--

has been added. In order to transition to the new form, each borrower should submit the new management certification when the current management agreement expires or is due for renewal. The Management Certification, Management Agreement, Identity of Interest Disclosure, and/or Identity of Interest Qualification (Form RD 3560-31) will be required to be submitted to the agency. A new management plan does not need to be prepared unless there have been changes in project operations.

Section 3: (7 CFR 3560.102) Setting the Management Fee:

The National Office will be providing each State Office with a management fee structure that will be used based on the bundle of services as defined in Chapter 3 of the Asset Management Handbook. Each State Office will either elect this fee or provide the National Office with documentation and justification to deviate from the fee. The National Office will review the documentation and publish it in the Asset Management Handbook. The established fees will be reflected in the proposed budgets for the 2006 operating year (for borrowers with January 1 operating years).

Once the management fee is established, borrowers will be required to convert to the new fees upon expiration of the current management agreement, or upon its renewal.

Section 41: (7 CFR 3560.105) Insurance, Bonding, and Taxes

The new insurance requirements will be implemented upon renewal of a policy.

(Cont'd pg. 2)

5. Handbook 2, Chapter 4 – Financial Management

Section 1: (7 CFR 3560.302) Project Accounting System:

The tenant certification, MFH project budget/utility allowance, balance sheet, and notification of payment due report will be automated. Vendors will be given six months from the date they receive the specifications from the agency to update their software packages and get them distributed to the borrowers/managers. Automated submissions for the budget and balance sheet forms will begin with the 2007 proposed budget and the 2006 actual balance sheet and budget submissions.

Section 3: (7 CFR 3560.305) Initial Operating Capital and Borrower Return on Investment:

Borrowers will be able to withdraw their original contribution to the initial operating account, with the consent of the agency, between the second and seventh year of project operation rather than the second and fifth years.

Section 3: (7 CFR 3560.306) Replacement Reserve:

By May 1, 2005, all Reserve Account withdrawals will require the use of Form RD 3560-12, "Request for Authorization to Withdraw Reserve Funds," before any reserve funds may be withdrawn. A copy of this form and its instructions is being mailed to each management agent.

Beginning with the 2005 operating year, borrowers (except nonprofit) may be allowed to receive 25 percent of the interest earned on the reserve account annually. Borrowers will be required to submit Form RD 3560-12, along with a current year-end bank statement to verify the amount of the interest earned and to document the request. Borrowers may request the interest earned at the end of their 2005 operating year.

Section 4: (7 CFR 3560.303) Project Budgets

With prior agency approval, nonprofit and cooperative borrowers will be allowed reasonable asset management fees for performing certain oversight functions. "Reasonable" is defined as the project's prorated share of errors and omissions insurance plus actual expenses or \$7,500 (whichever is less.) These fees are to be treated similar to the Return to Owner Expense for limited profit type borrowers and are to be reported and itemized on the project budget on Part I, Line 23, "Return

to Owner/Asset Management Fee." Borrowers may begin to budget for these expenses beginning with their 2006 operating budget.

6. Handbook 2, Chapter 5 – Project Physical Conditions

Section 4: (7 CFR 3560.352) Agency Oversight of Borrower Performance

Annual physical inspections will be more comprehensive and will require field staff to notify borrowers, who will in turn notify their tenants, of the scheduled inspection. In addition to current requirements to inspect common areas and exteriors, at least 5 percent of the units plus the vacant units will need to be inspected. Annual inspections that are due after February 24, 2005, are to be conducted under these new requirements.

7. Handbook 2, Chapter 6 – Project Occupancy

Section 1: (7 CFR 3560.152) Tenant Eligibility Requirements

In the past, age-ineligible tenant waivers were given to borrowers of elderly-designated projects to fill vacancies. This waiver will no longer be granted; therefore, any age-ineligible tenants will be required to move out of the project at the end of their lease. If vacancies continue to exist, borrowers may be notified that it may be necessary to change the project designation due to changes in the market conditions.

Section 2: (7 CFR 3560.153) (24 CFR 5.609) Calculation Income and Initial Certification

Beginning May 1, 2005, any initial certifications (move-ins) or recertifications must be prepared using HUD's passbook rate when calculating income from assets. Currently, HUD's current passbook rate is 2 percent.

Section 7: (7 CFR 3560.152) Tenant Recertification and Changes in Eligibility

Beginning May 1, 2005, all borrowers who submit tenant certifications through the Management Agent Interactive Network Connection (MINC) will begin being assessed overage charges for all new tenant certifications and recertifications that are received more than 10 days after their effective date. All Trading Partner Agreements (TPA's) will be modified to add this assessment. Borrowers and managers will be required to reaccept the TPA's with the first electronic submission beginning May 1, 2005. (Cont'd pg. 3)

Any borrowers/managers who are not currently on MINC will be required to submit electronically on or before February 26, 2006.

Section 8: (7 CFR 3560.160) Tenant Grievance Procedures

RD Instruction 1944-L, "Tenant Grievance and Appeals Procedure," is obsolete. It has been replaced by 7 CFR 3560.160, which is being mailed to each management entity. Borrowers and managers should immediately provide copies of the new regulation to all tenants and post the new regulation in the rental office and at the project. Agency staff will be spot checking this when they are visiting the projects annually.

Planning Capital Improvements for This Year

This would be a good time to get your bid specs ready and submit them to Rural Development for review and comments. You will then be ready to put the work out to bid and get contracts lined up for the work to be done spring through fall. If any of the work involves re-roofing or siding, please be sure to have the contractor indicate how many squares of shingles or siding will be needed for the job. If you are struggling to put specs together, check out our website at <http://www.rurdev.usda.gov/me/MFH/MFH.htm> for some specs that have been developed for jobs such as doors, windows, roofing, and siding. If you need assistance putting together specs for a job you need done, please let us know as we may be able to assist you.

Annual "Walk About" Inspections:

Rural Development staff will be completing annual physical inspections on every property each year. We wish to bring to your attention the section on accessibility below.

Frequency Explanation: I = Isolated, P= Pattern, W= Widespread

Severity Explanation: L= Low, M=Medium, H=High

Finding: The failure to meet a standard through routine procedures

Violation: The finding is a serious failure to meet a standard that must be corrected using the three servicing letters process

Urgency		Y/N	Frequency	Severity	Finding	Violation
Common Access						
13 COMMON AREA ACCESSIBILITY						
	Accessible, designated handicapped parking space(s) provided	Y N	I P W	L M H		
	Handicapped parking space properly identified	Y N	I P W	L M H		
	Common areas (mailboxes, office, community room, trash area, playground and laundry room) are accessible through walks, ramps, landings, door lever handles	Y N	I P W	L M H		
	Accessible appliances in laundry	Y N	I P W	L M H		
	Mailboxes for accessible units at accessible heights	Y N	I P W	L M H		
	Elevators or mechanical lifts are functional and kept in good repair (if installed)	Y N	I P W	L M H		
	Common area switches, outlets, thermostats and controls at accessible heights	Y N	I P W	L M H		
	Public restrooms have maneuvering room at sinks and toilets, grab bars and lever faucets, insulated pipes and mirrors at accessible heights	Y N	I P W	L M H		
Comments:						

Rural Development asks that you take the time to review each of your properties with the above inspection questions and take the appropriate action necessary to bring the property into compliance with accessibility laws. If you have questions about whether a specific item meets accessibility requirements, please contact your servicing official. We will provide as much information as we can.

Zero Income Tenants

It is the policy of Rural Development not to accept a tenant certification for an applicant or tenant with zero income unless all income is specifically exempted. In cases where applicants or tenants are claiming they have no household income, nor can they anticipate a source of income, it will be necessary for the applicant or tenant to demonstrate financial capability to meet other basic living expenses as well as the rental charge. This amount must include income for essential living expenses, such as food, clothing, diapers, transportation, and any nonessential items being paid, such as telephone, cable television, internet service, etc. The basis for this income must be documented in the file. Guidance for the documentation of zero income is found in Attachment 6-B. A copy of this attachment is being mailed to all management entities.

Corrected Tenant Certifications

If you find that a previously submitted Tenant Certification must be corrected, please DO NOT transmit the correction via MINC. We ask that you mail the corrected Tenant Certification (include Exhibit G, Unauthorized Subsidy Guide, if applicable) to the Centralized Payment Center (CPC).

3650 Training

Rural Development is pleased to announce the availability of 3650 training by Spectrum Seminars, Inc. A course description and registration information will be mailed to each borrower/manager by March 23. They will also be available on the Maine Rural Development website.

Notice of Funding Availability (NOFA)

The Fiscal Year 2005 NOFA was published in the Federal Register on March 14. Application packages for new construction may be obtained by contacting the Rural Development State Office.

Did You Know?

Income Limits – The income limits have been updated and are posted to the internet at:

http://www.rurdev.usda.gov/me/MFH/Income_LimitsMarch05.pdf . A hard copy of the limits has been mailed to all management agents.

Rural Development now has all its properties (photos included) listed on its website. Check this out at:

<http://www.rurdev.usda.gov/>.

On the left hand side under links click on Apartments for Rent, then on the state and county you wish to look at.

Mark Your Calendar!

The Annual Multi-Family Housing Seminar will be held April 20-21 at the Portland Marriott Hotel. The seminar will begin on Wednesday, April 20 at 1:00 p.m. and conclude on Thursday, April 21 at 5:00 p.m.

Contact Information

State Office Staff

967 Illinois Avenue, Suite 4
P.O. Box 405
Bangor, ME 04402-0405

Michael W. Aube
State Director
M.Aube@me.usda.gov

Robert J. Nadeau
MFH Specialist
Robert.Nadeau@me.usda.gov

Jeffery L. Thurlow
Construction Analyst
Jeff.Thurlow@me.usda.gov
Car Phone 557-9797

Darrin S. Dyer
Construction Analyst
Darrin.Dyer@me.usda.gov

Phone: (207) 990-9110
Fax #: (207) 990-9119
TTD/TTY: (207) 942-7331

Dale D. Holmes
Housing Program Director
Dale.Holmes@me.usda.gov

Tammy L. Carter
MFH Technician
Tammy.Carter@me.usda.gov

Conrad McAllister
Construction Analyst
Conrad.McAllister@me.usda.gov
743-5789 ext. 106

Centralized Payment Center (CPC)

967 Illinois Avenue, Suite 4
P.O. Box 405
Bangor, ME 04402-0405

Alice M. H. Kelley
Area Technician
Alice.Kelley@me.usda.gov

Phone: (207) 990-9179
Fax #: (207) 990-9119
TTD/TTY: (207) 942-7331

Rachel L. Henderson
Area Assistant
Rachel.Henderson@me.usda.gov

Presque Isle Area Staff

99 Fort Fairfield Road
Presque Isle, Me 04769-5000

Richard W. Ireland
Area Director
Richard.Ireland@me.usda.gov

Cathy S. Letarte
Area Specialist
Cathy.Letarte@me.usda.gov

Phone: (207) 764-4157, Ext. 4
Fax #: (207) 762-2246

Robert G. McCurry
Area Specialist
Robert.McCurry@me.usda.gov

Debbie J. Michaud
Area Assistant
Debra.Michaud@me.usda.gov

Bangor Area Staff

28 Gilman Plaza, Suite 3
Bangor, ME 04401-3550

Raymond S. Roberts III
Area Director
Raymond.Roberts@me.usda.gov

Beverly A. Stone
Area Specialist
Beverly.Stone@me.usda.gov

Cynthia A. Bowe
Area Technician
Cynthia.Bowe@me.usda.gov

Phone: (207) 990-3676, Ext. 5
Fax #: (207) 990-5092

Catherine A. Witham
Area Specialist
Cathy.Witham@me.usda.gov

Mary J. Zerrien
Area Specialist
Mary.Zerrien@me.usda.gov

Lewiston Area Staff

P.O. Box 1938
Lewiston, ME 04240-1938

Alan C. Daigle
Area Director
Alan.Daigle@me.usda.gov

Joel Ann Oshansky
Area Specialist
Joel.Oshansky@me.usda.gov

Celine T. Skinner
Area Specialist
Celine.Skinner@me.usda.gov

Phone: (207) 753-9400, Ext. 226
Fax #: (207) 784-1335

Deanna L. Nyberg
Area Specialist
Deanna.Nyberg@me.usda.gov

Scarborough Area Staff

306 US Route 1, Suite B1
Scarborough, ME 04074-9774

William F. Bailey, Jr.
Area Director
William.Bailey@me.usda.gov

Roderick R. Elliott, Jr.
Area Specialist
Rod.Elliott@me.usda.gov

Phone: (207) 883-0159
Fax #: (207) 883-2740

Robert J. Pelletier
Area Specialist
Robert.Pelletier@me.usda.gov

Maine USDA RD Web Site:

<http://www.rurdev.usda.gov/me/>

For USDA RD Forms/Regulations/Admin. Notices:

<http://rdinit.usda.gov/regs>

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